



# **The Fuller Center for Housing of Northwest Louisiana, Inc.**

---

**Financial Statements**  
Year Ended June 30, 2012 and 2011

# The Fuller Center for Housing of Northwest Louisiana, Inc.

## Contents

### Independent Auditor's Reports

Independent Auditor's Report on Financial Statements	3-4
--	-----

Independent Auditor's Report On Internal Control Over Financial Reporting And on Compliance and Other Matters Based On An Audit of Financial Statements Performed In Accordance with <i>Government Auditing Standards</i>	5-6
--	-----

### Financial Statements

Statements of Financial Position	7
----------------------------------	---

Statements of Activities	8
--------------------------	---

Statements of Cash Flows	9
--------------------------	---

Statements of Functional Expenses	10
-----------------------------------	----

Summary of Significant Accounting Policies	11-16
--	-------

Notes to Financial Statements	17-19
-------------------------------	-------

### Supplemental Information

Schedule of Findings and Questioned Costs	21
---	----

Summary Schedule of Prior Audit Findings	22-23
--	-------

## **Independent Auditor's Report on Financial Statements**

To the Board of Directors  
The Fuller Center for Housing of Northwest Louisiana, Inc.  
Shreveport, Louisiana

I have audited the accompanying statements of financial position of The Fuller Center for Housing of Northwest Louisiana, Inc. (a nonprofit organization) as of June 30, 2012 and 2011, and the related statements of activities, cash flows and functional expenses for the years then ended. These financial statements are the responsibility of The Fuller Center for Housing of Northwest Louisiana, Inc.'s management. My responsibility is to express an opinion on these financial statements based on my audits.

I conducted my audits in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audits provide a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Fuller Center for Housing of Northwest Louisiana, Inc. as of June 30, 2012 and 2011, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued my report dated December 4, 2012, on my consideration of The Fuller Center for Housing of Northwest Louisiana, Inc.'s internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the

internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* and should be considered in assessing the results of my audit.

Certified Public Accountant

*Tara R. McCallal, CPA LLC*

Shreveport, Louisiana  
December 4, 2012



**Independent Auditor's Report On  
Internal Control Over Financial Reporting  
And on Compliance and Other Matters Based On  
An Audit of Financial Statements Performed In  
Accordance with *Government Auditing Standards***

The Board of Directors  
The Fuller Center for Housing of Northwest Louisiana, Inc.  
Shreveport, Louisiana

I have audited the basic financial statements of the The Fuller Center for Housing of Northwest Louisiana, Inc. (a nonprofit organization) as of and for the year ended June 30, 2012 and have issued my report thereon dated December 4, 2012. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing my audit, I considered The Fuller Center for Housing of Northwest Louisiana, Inc.'s internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of The Fuller Center for Housing of Northwest Louisiana, Inc.'s internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of The Fuller Center for Housing of Northwest Louisiana, Inc.'s internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected on a timely basis.

My consideration of internal control over financial reporting and internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as a result of my audit, I did identify one

deficiency in internal control over financial reporting that I consider to be a material weakness, as defined above. See finding 2012-01 at page 21.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances on noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the board of directors, management, others within the organization, awarding agencies, and the Louisiana State Legislative Auditor and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statutes 24:513, this report is distributed by the Legislative Auditor as a public document.

Certified Public Accountant

*Tamara K. McChesney, CPA LLC*

Shreveport, Louisiana  
December 4, 2012

# The Fuller Center for Housing of Northwest Louisiana, Inc.

## Statements of Financial Position

June 30,	2012	2011
<b>Assets</b>		
Cash in bank	\$ 277,139	\$ 89,809
Cash – temporarily restricted (Note 5)	301,063	-
Cash - permanently restricted (Note 5)	5,000	5,000
Certificates of deposit (Note 4)	-	103,556
Grants receivable	30,855	28,697
Rents receivable	-	7,087
Other receivables	-	10,147
Non-interest bearing residential mortgage loans, net of unamortized discount of \$119,163 and 135,371 (Note 1)	426,609	441,952
Homes awaiting closing, net (Note 2)	1,355,559	1,363,049
Homes under construction	75,717	51,115
Property held for future construction	75,710	64,200
Property and equipment, net (Note 3)	222,317	178,907
<b>Total Assets</b>	<b>\$2,769,969</b>	<b>\$2,343,519</b>

### Liabilities and Net Assets

Accounts payable	\$ 70,066	\$ 28,697
Line of credit (Note 4)	55,449	82,973
Deferred income	2,030	230
<b>Total liabilities</b>	<b>127,545</b>	<b>111,900</b>
Net assets:		
Unrestricted	2,336,361	2,226,619
Temporarily restricted (Note 5)	301,063	-
Permanently restricted (Note 5)	5,000	5,000
<b>Total net assets</b>	<b>2,642,424</b>	<b>2,231,619</b>
<b>Total Liabilities and Net Assets</b>	<b>\$2,769,969</b>	<b>\$2,343,519</b>

*See accompanying summary of accounting policies and notes to financial statements.*

# The Fuller Center for Housing of Northwest Louisiana, Inc.

## Statements of Activities

<i>Year Ended June 30,</i>	2012	2011
<b>Unrestricted net assets</b>		
<b>Unrestricted revenue and other support</b>		
Grant revenue	\$ 361,156	\$ 625,993
Rents on homes awaiting closing	78,721	80,654
Fundraising	98,225	20,739
Contributions	75,832	93,452
Interest income	16,628	11,714
Other	10,289	1,153
Net assets released from restrictions	18,937	-
Total unrestricted revenue and other support	659,788	833,705
<b>Expenses</b>		
Program services:		
Home construction and rehabilitation	148,182	186,164
City of Shreveport home reconstruction program	263,759	504,130
Loss on sale of property	-	49,902
Supportive services:		
Management and general	129,149	105,646
Fundraising	8,956	8,907
Total expenses	550,046	854,749
Increase (decrease) in unrestricted net assets	109,742	(21,044)
<b>Temporarily restricted net assets</b>		
Contributions	320,000	-
Net assets released from restrictions	(18,937)	-
Increase (decrease) in temporarily restricted net assets	301,063	-
Increase (decrease) in net assets	410,805	(21,044)
Net assets at the beginning of the year	2,231,619	2,252,663
Net assets at the end of the year	\$2,642,424	\$2,231,619

*See accompanying summary of accounting policies and notes to financial statements.*



# The Fuller Center for Housing of Northwest Louisiana, Inc.

## Statements of Cash Flows

Year Ended June 30,	2012	2011
<b>Cash flows from operating activities:</b>		
Increase (decrease) in net assets	\$410,805	\$ (21,044)
Adjustments to reconcile decrease in net assets to net cash provided by operating activities:		
Depreciation expense	93,179	86,244
Loss on sales of homes	-	49,902
Gain on disposal of asset	(9,367)	(1,000)
Increase in temporarily restricted cash	(301,063)	-
Changes in operating assets and liabilities:		
Decrease (increase) in certificate of deposit	103,556	(1,379)
Decrease (increase) in mortgage loans	15,343	(137,952)
Decrease (increase) in grants receivable	(2,158)	(28,697)
Decrease (increase) in rents receivable	7,087	(3,998)
Decrease (increase) in other receivables	10,147	(10,147)
Increase in homes under construction	(24,602)	(51,115)
Decrease (increase) in homes awaiting closing	(75,000)	161,799
Increase in land for future construction	(11,510)	(19,300)
Increase in accounts payable	41,369	28,697
Decrease in deferred revenue and other	1,800	(4,420)
Net cash provided by operating activities	259,586	47,590
<b>Cash flows from investing activities:</b>		
Purchase of property and equipment	(58,265)	(21,795)
Proceeds from disposal of a truck	13,533	1,000
Net cash used by investing activities	(44,732)	(20,795)
<b>Cash flows from financing activities -</b>		
Repayments on line of credit	(27,524)	-
Net cash used by financing activities	(27,524)	-
Net increase in cash	187,330	26,795
Cash at beginning of year	89,809	63,014
Cash at end of year	\$277,139	\$ 89,809

See accompanying summary of accounting policies and notes to financial statements.

Year Ended June 30,

2012

	Home Construction and Rehabilitation	City of Shreveport Reconstruction Program	Management and General	Fundraising	Total
Construction and Rehabilitation:					
Demolition	\$ -	\$ 20,284	\$ -	\$ -	\$ 20,284
Reconstruction	-	243,475	-	-	243,475
Salaries - Project management	-	-	-	-	-
Payroll taxes - Project management	-	-	-	-	-
Repairs and maintenance	4,552	-	-	-	4,552
Greater Blessing (rehabilitation)	13,642	-	-	-	13,642
Property taxes	1,766	-	-	-	1,766
Property closing and other costs	4,857	-	-	-	4,857
Total construction and rehabilitation	24,817	263,759	-	-	288,576
Other Expenses:					
Salaries – administrative	17,619	-	92,086	-	109,705
Payroll taxes – administrative	702	-	3,672	-	4,374
Insurance	(14,753)	-	16,747	-	1,994
Utilities	8,042	-	216	-	8,258
Depreciation	92,110	-	1,069	-	93,179
Travel	4,665	-	-	-	3,835
Advertising and marketing	-	-	-	4,300	4,300
Education and training	491	-	164	-	1,485
Mortgage servicing fees	5,022	-	-	-	5,022
Office supplies and expenses	8,310	-	1,504	150	9,964
Postage	617	-	-	-	617
Accounting and audit fees	-	-	11,036	-	11,036
Grant writing	-	-	-	-	-
Interest expense	-	-	2,562	-	2,562
Miscellaneous expenses	540	-	93	-	633
Website maintenance	-	-	-	4,506	4,506
Total other expenses	123,365	-	129,149	8,956	261,470
Total expenses	\$148,182	\$263,759	\$129,149	\$8,956	\$550,046

# The Fuller Center for Housing of Northwest Louisiana, Inc.

## Statements of Functional Expenses

2011

Home Construction and Rehabilitation	City of Shreveport Reconstruction Program	Management and General	Fundraising	Total
\$ -	\$ 35,793	\$ -	\$ -	\$ 35,793
-	399,257	-	-	399,257
25,270	63,000	-	-	88,270
1,933	4,820	-	-	6,753
22,466	-	-	-	22,466
13,728	-	-	-	13,728
5,430	-	-	-	5,430
10,571	-	-	-	10,571
79,398	502,870	-	-	582,268
-	-	80,676	-	80,676
-	-	5,765	-	5,765
(857)	1,260	6,335	-	6,738
6,795	-	755	-	7,550
85,371	-	873	-	86,244
4,020	-	-	-	4,020
-	-	-	5,924	5,924
924	-	308	-	1,232
5,218	-	-	-	5,218
4,345	-	-	483	4,828
950	-	-	-	950
-	-	5,742	-	5,742
-	-	-	2,500	2,500
-	-	4,503	-	4,503
-	-	-	-	-
-	-	689	-	689
106,766	1,260	105,646	8,907	222,579
\$186,164	\$504,130	\$105,646	\$8,907	\$804,847

See accompanying summary of accounting policies and notes to financial statements.

# The Fuller Center for Housing of Northwest Louisiana, Inc.

## Summary of Significant Accounting Policies

### Nature of Activities

The Fuller Center for Housing of Northwest Louisiana, Inc. ("The Center") is a nonprofit corporation organized under the laws of the State of Louisiana. The Center was established in 2006 to support access to decent, affordable housing for low-income individuals and families in Northwest Louisiana. The Center seeks to (1) rehabilitate existing homes and (2) construct basic new homes. These homes are sold to families at cost, and are financed with non-interest bearing mortgages. Recipients are selected based on need and willingness to participate, regardless of race, religion, gender or ethnic background.

### Basis of Presentation

The Center follows accounting standards set by the Financial Accounting Standards Board ("FASB"). The FASB sets generally accepted accounting principles ("GAAP") that the Center follows to ensure the consistent reporting of its financial condition, changes in net assets and cash flows. References to GAAP issued by the FASB in the accompanying footnotes are to the FASB Accounting Standards Codification ("ASC").

The Center's financial statements have been prepared in accordance with standards of accounting and financial reporting under ASC 958, *Not-for Profit Entities* and the AICPA Audit and Accounting Guide, *Not-for-Profit Organizations*. Under this authoritative guidance, the Center is required to provide financial statements that are prepared to focus on the organization as a whole and to present balances and transactions according to the existence or absence of donor-imposed restrictions.

Resources are reported for accounting purposes in separate classes of net assets based on the existence or absence of donor-imposed restrictions. In the accompanying financial statements, net assets are classified into one of the following categories:

*Unrestricted* - Net assets that are not subject to donor-imposed stipulations. Unrestricted net assets may be designated for specific purposes by action of the Board of Directors. Restricted assets received and expended in the same year are classified as unrestricted.

# The Fuller Center for Housing of Northwest Louisiana, Inc.

## Summary of Significant Accounting Policies (Continued)

### Basis of Presentation- continued

*Temporarily Restricted* – Net assets whose use by the Center is subject to donor-imposed stipulations that can be fulfilled by actions of the Center pursuant to those stipulations or that expire through the passage of time.

*Permanently Restricted* – Net assets whose use by the Center is subject to donor-imposed stipulations that assets be maintained permanently by the Center. The donors of these assets permit the Center to use all or part of the investment return of these assets for continuing operations which may be subject to certain restrictions.

Expenses are generally reported as decreases in unrestricted net assets. Expirations of donor-imposed stipulations that simultaneously increase one class of net assets and decrease another are reported as transfers between the applicable classes of net assets. Gains and losses on investments and other assets and liabilities are reported as increases and decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or law.

### Revenue Recognition

*Contributions* – Unconditional promises to give are recognized as revenue when the gifts' underlying promises are received by the Center. Contributions of cash and other assets are reported as restricted support if they are received with donor stipulations that limit the use of the donated assets to a specific timeframe or a specific purpose. When a donor restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in statement of activities as net assets released from restrictions.

*Sales to Homeowners* – Sales to homeowners represent the sale of homes built by the Center. The resulting mortgages are non-interest bearing and have been discounted based upon prevailing market rates for low-income housing at the inception of the mortgages. The sales to homeowners in the statement of activities are presented net of the applicable discount. The Center recognizes the income from the sales to homeowners when the homes are substantially complete and ownership is transferred through a home closing.



# The Fuller Center for Housing of Northwest Louisiana, Inc.

## Summary of Significant Accounting Policies (Continued)

### Revenue Recognition- continued

*Grants and Contracts* – The Center is funded through various grants, cost reimbursement and performance based contracts. The Center accounts for grants and contracts as exchange transactions. Revenue is recognized as an increase in the statement of activities as stipulated performance is executed, or as expenditures are incurred in accordance with applicable agreements under expenditure reimbursement contracts. A receivable is recorded to the extent contract revenue exceeds payment received; conversely, advances in excess of costs incurred are deferred and recognized as revenue when the related expense is incurred.

*In-Kind Contributions* – Support arising from donated goods, property and services is recognized in the financial statements at its fair value. Donated services are recognized when the services are received, provided that they create or enhance non-financial assets, or require specialized skills, are performed by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

The Center also utilizes the services of volunteers to perform a variety of tasks that assist the organization. The fair value of these services is not recognized in the accompanying financial statements since they do not meet the criteria for recognition under accounting principles generally accepted in the United States of America.

### Cash and Cash Equivalents

The Center's cash, as stated for cash flow purposes, consists of cash on hand and demand deposits with financial institutions that is not permanently restricted.

### Mortgages Receivable

Mortgages receivable consist of non-interest bearing mortgages, which are secured by real estate and payable in monthly installments. All mortgages have an original maturity of 20 years and have been discounted at 3% based on prevailing market rates at the inception of the mortgages. Interest income (mortgage discount amortization) is recorded using the effective interest method over the lives of the mortgages. Receivables related to the mortgages are considered past-due or delinquent by the Center when they are 30 days late.

# **The Fuller Center for Housing of Northwest Louisiana, Inc.**

## **Summary of Significant Accounting Policies**

*(Continued)*

### **Mortgages Receivable- continued**

The Center estimates an allowance for loan losses based on historical collection experience and a review of the status of the mortgages receivable. The Center works with delinquent homeowners to identify opportunities for financial budgeting improvement. The Center has experienced success in educating delinquent homeowners, and structuring payment plans to cure delinquencies within a minimal amount of time. It is reasonably possible that the Centers' estimate of the allowance for loan losses will change in future years. Due to the historical success experience by the Center in regards to collecting mortgages receivable, management has determined that all receivables are collectible as of June 30, 2012 and 2011. Accordingly, no allowance for loan losses is reported as of June 30, 2012 and 2011 in the accompanying financial statements.

### **Homes Under Construction**

Costs incurred in conjunction with homes under construction are accumulated in the statement of net assets during the period of construction and expensed when the home is transferred to the homeowner. The Center has one home under construction as of June 30, 2012 with a total cumulative cost to-date of \$75,717. The Center had one home under construction as of June 30, 2011, with an accumulated cost of \$51,115 as of that date.

### **Homes Awaiting Closing**

In some cases, the Center completes the construction of a home for a selected homeowner but is unable to transfer title of the home to the prospective homeowner immediately upon completion. The causes for these delays include the need for additional time to clear title defects to the property and additional time needed for the prospective homeowner to accumulate the funds needed for closing. In these circumstances, it is the Center's policy to allow the prospective homeowner to occupy the home under a lease/purchase contract, pending the ability to move forward with the closing. Under the terms of these contracts, monthly rents are set at an amount equal to the monthly payment that will be due under the mortgage once the closing has occurred. Upon closing, the purchase price will be reduced by the amount of any rents paid up to that point in time.

# The Fuller Center for Housing of Northwest Louisiana, Inc.

## Summary of Significant Accounting Policies (Continued)

### Homes Awaiting Closing - (continued)

In these instances, where applicable, the cost of homes awaiting sale are reduced to the amount of the total payments to be received under the lease/purchase arrangement. The assets are depreciated during the rental period over a life of 20 years.

### Property and Equipment

Property and equipment are stated at cost if purchased, or fair value if donated. Depreciation is calculated using the straight-line method over the useful lives of the assets.

Estimated useful lives by type of asset are estimated as follows:

Buildings	30 years
Furniture, fixtures and equipment	3-10 years
Vehicles	5 years

The Center's policy is to capitalize expenditures for property and equipment and donated property and equipment received that exceed \$1,000 and have a useful life greater than one year. When items are retired or disposed of, the cost and accumulated depreciation are removed from the accounts and any gain or loss is included in the statement of activities. Repairs and betterments in excess of \$1,000 that materially prolong the useful lives of assets are capitalized. Repairs and maintenance for normal upkeep are expensed as incurred.

In accordance with ASC 360-10, Property, Plant and Equipment, the Center periodically reviews the carrying value of long-lived assets held and used for possible impairment when events and circumstances warrant such a review. For the year ended June 30, 2012, the Center did not experience any impairment losses on its long-lived assets.

### Income Taxes

The Center is a tax-exempt organization as described in Section 501(c)(3) of the Internal Revenue Code and is classified by the Internal Revenue Service as an organization other than a private foundation.

The Center has adopted ASC 740, *Accounting for Uncertainty in Income Taxes*. Management has evaluated the Center's tax positions and

# The Fuller Center for Housing of Northwest Louisiana, Inc.

## Summary of Significant Accounting Policies (Concluded)

### **Income Taxes - (continued)**

concluded that the Center has taken no uncertain tax positions that require adjustment to the financial statements to comply with the provisions of ASC 740. In addition, Management is not aware of any matters that would cause the Center to lose its tax-exempt status.

### **Advertising and Marketing Costs**

The Center expenses advertising and marketing costs as incurred. Advertising and marketing expense for the years ended June 30, 2012 and 2011 totaled \$4,300 and \$5,924, respectively.

### **Concentrations of Credit Risk**

In the normal course of business, the Center is primarily dependent on grants from North Louisiana sources and on contributions from foundations and donors, as well as repayment of loans from borrowers, in the Northwest Louisiana area. Accordingly, the Center's operations are primarily dependent on the economy of Northwest Louisiana.

### **Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimate and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates made by management include the allowance for mortgage loan losses, the useful lives of property and equipment, the valuation of homes awaiting closing and the valuation of donated services and goods.

# The Fuller Center for Housing of Northwest Louisiana, Inc.

## Notes to Financial Statements

### 1. Mortgages Receivable

Since its inception, the Center has sold 11 homes to qualifying applicants. The resulting mortgages are non-interest bearing and the presentation of their book value has been discounted based upon the prevailing market rates for similar housing at the inception of the mortgages (estimated at 3% currently). Sales to homeowners for the years ended June 30, 2012 and 2011 were as follows:

	2012	2011
Gross sales to homeowners (3 homes)	\$ -	\$198,698
Less discount on sales to homeowners	-	49,902
Net sales to homeowners	\$ -	\$148,796

Mortgages receivable at June 30, 2012 and 2011 were as follows:

	2012	2011
Mortgages receivable at face value	\$545,772	\$577,323
Less unamortized discounts on mortgages	119,163	135,371
Mortgages receivable, net	\$426,609	\$441,952

Future collections on these mortgages will be received over the next five years and thereafter as follow:

Year Ended June 30,	
2012	\$ 30,984
2013	30,984
2014	30,984
2015	30,984
2016	30,984
Thereafter	390,852
Total	\$545,772



# The Fuller Center for Housing of Northwest Louisiana, Inc.

## Notes to Financial Statements (Continued)

### 2. Homes Awaiting Closing

Homes awaiting closing at June 30, 2012 and 2011 consisted of the following:

	2012	2011
Homes awaiting closing, gross	\$1,668,544	\$1,593,544
Less accumulated depreciation	(312,985)	(230,495)
Homes awaiting closing, net	\$1,355,559	\$1,363,049

Depreciation expense for homes awaiting closing totaled \$82,490 and \$77,511 for the years ended June 30, 2012 and 2011.

### 3. Property and Equipment

The major classifications of property and equipment as of June 30, 2012 and 2011 were as follows:

	2012	2011
Buildings and land	\$232,161	\$173,895
Furniture, fixtures and equipment	11,248	11,248
Vehicles	-	10,000
	243,409	195,143
Less accumulated depreciation	(21,092)	(16,236)
Property and equipment, net	\$222,317	\$178,907

Depreciation expense for property and equipment totaled \$10,689 and \$8,733 for the years ended June 30, 2012 and 2011.

### 4. Line of Credit

The Center maintains a revolving line of credit with a financial institution. Outstanding borrowings totaled \$55,449 and \$82,973 at June 30, 2012 and 2011, respectively. Applicable interest rates for the lines of credit were 3.77% and 5.00% at June 30, 2012 and 2011, respectively. The lines have been secured by deposits maintained at the same financial institutions.

# The Fuller Center for Housing of Northwest Louisiana, Inc.

## Notes to Financial Statements

*(Concluded)*

### 5. Restricted Assets

Permanently restricted assets of \$5,000 at June 30, 2012 and 2011 consist of a contribution received from The Community Foundation of Shreveport. The principal amount must remain invested with The Community Foundation of Shreveport, with the investment earnings thereon available to be used for the future construction and maintenance of a park constructed in the neighborhood where the Center has concentrated its construction and rehabilitation efforts.

Temporarily restricted assets include \$50,000 restricted to be used to construct a neighborhood grocery store in one of the areas served by the Fuller Center and \$251,063 to be used for the acquisition and renovation of the Center's headquarters and surplus store facility.

### 6. Supplemental Cash Flow Information

Cash paid for interest during the year ended June 30, 2012 and 2011 totaled \$2,562 and \$4,503. There were no payments made for income taxes.

### 7. Concentrations of Credit Risk

All of the Center's mortgage loans are to low income individuals and are collateralized by real estate in Shreveport, Louisiana.

### 8. Commitments and Contingencies

From time to time, in the normal course of business, the Center may be involved in legal proceedings. Management does not believe that any such proceedings would have a material adverse effect on its financial position or results of operations.

As of June 30, 2012, the Center was obligated under a real estate purchase contract to purchase its new headquarters and surplus store facility. The approximate purchase price is \$156,000, of which, \$15,600 had been paid as a deposit as of June 30, 2012.

### 9. Subsequent Events

The Center has evaluated events subsequent to June 30, 2012, through the date the financial statements were available to be issued, December 4, 2012. No material subsequent events that require recognition or additional disclosure in these financial statements were noted.

## **Supplemental Information**

**The Fuller Center for Housing of Northwest Louisiana, Inc.**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended June 30, 2012**

**A. Summary of Audit Results**

1. The auditor's report expresses an unqualified opinion on the financial statements of The Fuller Center for Housing of Northwest Louisiana, Inc.
2. One material weakness relating to the audit of the financial statements was reported. See finding 2012-01 below.
3. No instances of noncompliance material to the financial statements of The Fuller Center for Housing of Northwest Louisiana, Inc. were disclosed during the audit.
4. The Fuller Center for Housing of Northwest Louisiana, Inc. was not subject to a federal single audit for the year ended June 30, 2012.

**B. Findings – Financial Statement Audit**

Finding 2012-01 – Preparation of Financial Statements

As is common among smaller entities, management has elected to engage the auditor to prepare the annual financial statements. Consequently, internal controls over the preparation of the annual financial statements, complete with notes in accordance with accounting principles generally accepted in the United States, have not been established. Under generally accepted auditing standards, this condition represents a control deficiency that is also considered to be a material weakness. This condition is intentional and results from management's decision that it is not cost effective for the Center to prepare its annual financial statements in-house.

Whether or not it would be cost effective to correct a control deficiency is not a factor in applying generally accepted auditing standards. As prudent management requires that the potential benefit from an internal control must exceed its costs, it is not always practical to correct all deficiencies reported. In this case, both management and the auditor do not believe that correcting the material weakness described above is cost effective or practical, and accordingly, do not believe that any corrective action is necessary.

**The Fuller Center for Housing of Northwest Louisiana, Inc.**  
**Summary Schedule of Prior Audit Findings**  
**For the Year Ended June 30, 2011**

**Finding 2011-01 – Preparation of Financial Statements**

As is common among smaller entities, management has elected to engage the auditor to prepare the annual financial statements. Consequently, internal controls over the preparation of the annual financial statements, complete with notes in accordance with accounting principles generally accepted in the United States, have not been established. Under generally accepted auditing standards, this condition represents a control deficiency that is also considered to be a material weakness. This condition is intentional and results from management's decision that it is not cost effective for the Center to prepare its annual financial statements in-house.

Whether or not it would be cost effective to correct a control deficiency is not a factor in applying generally accepted auditing standards. As prudent management requires that the potential benefit from an internal control must exceed its costs, it is not always practical to correct all deficiencies reported. In this case, both management and the auditor do not believe that correcting the material weakness described above is cost effective or practical, and accordingly, do not believe that any corrective action is necessary.

This finding was repeated for 2012.

**Finding 2011-02 – Engagement Completion**

*Instance of non-compliance*

The Fuller Center for Housing of Northwest Louisiana, Inc. failed to comply with state law (LA R.S. 24:513) since the annual report for the year ended June 20, 2011 was not submitted to the Louisiana Legislative Auditor's Office until after December 31, 2011, the statutory due date.

*Reason for non-compliance*

Due to unexpected turnover of staff on the part of the auditor, completion of the audit was delayed and the audit was not completed by the statutory due date.

*Status*

Corrected.



**The Fuller Center for Housing of Northwest Louisiana, Inc.**  
**Summary Schedule of Prior Audit Findings**  
**For the Year Ended June 30, 2011**  
**(Concluded)**

**2011-03 – Open Meetings**

*Instance of non-compliance*

The Fuller Center for Housing of Northwest Louisiana, Inc. failed to comply with state law (LA R.S. 42:4.1 through 42:13) as it has not published the date, time, place and agenda of meetings in which the handling of public funds was discussed.

*Reason for non-compliance*

Management was not aware of this requirement under state law.

*Status*

Corrected.